

CAPSTONE BEHAVIORAL HEALTHCARE, INC.
NEWTON, IOWA

FINANCIAL REPORT
JUNE 30, 2015 AND 2014

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

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CAPSTONE BEHAVIORAL HEALTHCARE, INC.

BOARD OF DIRECTORS
JUNE 30, 2015

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Laurie Siddall	President	March 31, 2017
Jeff Hoebelheinrich	Vice President	August 31, 2017
Rita Baker	Member	August 31, 2016
Lonnie Portner	Member	November 30, 2017
Carla Bates	Member	June 30, 2018
Julie McCarey	Member	August 31, 2016
Desiree Damman	Member	September 30, 2017
Dona Hendrickson	Member	July 31, 2016
Julie Smith	Director	Indefinite



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Bradley T. Barnes, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Capstone Behavioral Healthcare, Inc.

Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of Capstone Behavioral Healthcare, Inc. as of June 30, 2015, the related statements of activities, functional expenses and cash flows for the year then ended and the Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capstone Behavioral Healthcare, Inc. as of June 30, 2015 and the changes in its net assets and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2015 on our consideration of Capstone Behavioral Healthcare, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Capstone Behavioral Healthcare, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Capstone Behavioral Healthcare, Inc.'s June 30, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 3, 2014. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
December 3, 2015

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 51,630	\$ 39,977
Accounts receivable (net of allowance for doubtful accounts of \$101,301)	266,557	476,370
Prepaid expenses	50	50
Due from related party	19,972	12,139
Total current assets	<u>338,209</u>	<u>528,536</u>
<u>EQUIPMENT AND VEHICLES:</u>		
Equipment	100,826	29,766
Vehicles	12,000	-
Accumulated depreciation	(19,554)	(3,940)
Total equipment	<u>93,272</u>	<u>25,826</u>
TOTAL ASSETS	\$ <u>431,481</u>	\$ <u>554,362</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 19,226	\$ 42,554
Due to related party	104,550	108,361
Accrued liabilities:		
Salaries	32,006	25,041
Vacation	56,850	56,850
Payroll taxes	33,991	33,509
Interest	40	287
Other liabilities	1,916	675
Current maturities of notes payable	133,068	131,307
TOTAL CURRENT LIABILITIES	<u>381,647</u>	<u>398,584</u>
<u>LONG-TERM LIABILITIES:</u>		
Notes payable - less current maturities	<u>40,973</u>	<u>73,927</u>
TOTAL LIABILITIES	<u>422,620</u>	<u>472,511</u>
<u>NET ASSETS:</u>		
Unrestricted	<u>8,861</u>	<u>81,851</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>431,481</u>	\$ <u>554,362</u>

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

<u>PUBLIC SUPPORT AND REVENUES:</u>	<u>2015</u>	<u>2014</u>
Public support:		
Capstone Community Foundation	\$ -	\$ 66,163
Fees from government agencies:		
County revenue:		
Mental health	77,046	69,679
Community based services	33,685	43,118
Habilitation:		
Community based services	395,321	818,928
Patient fees:		
Mental health	1,368,402	1,010,498
Club house services	73,421	110,134
Integrated health home	425,417	-
Other revenue:		
Miscellaneous	<u>4,412</u>	<u>4,231</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>2,377,704</u>	<u>2,122,751</u>
 <u>EXPENSES:</u>		
Program services:		
Integrated health home services	319,191	-
Mental health services	1,220,459	1,382,383
Community based services	396,857	356,151
Club house services	<u>111,356</u>	<u>57,078</u>
Total program services	2,047,863	1,795,612
Supporting services:		
Management and general	<u>402,831</u>	<u>259,835</u>
TOTAL EXPENSES	<u>2,450,694</u>	<u>2,055,447</u>
CHANGE IN NET ASSETS	(72,990)	67,304
NET ASSETS - Beginning of year, as restated	<u>81,851</u>	<u>14,547</u>
NET ASSETS - End of year	\$ <u>8,861</u>	\$ <u>81,851</u>

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	Program Services		
	Integrated Health Home Services	Mental Health Services	Community Based Services
Salaries	\$ 242,537	\$ 695,148	\$ 266,630
Payroll taxes and insurance	19,994	57,307	21,981
Employee benefits	<u>27,122</u>	<u>77,736</u>	<u>29,816</u>
Total salaries and related expenses	289,653	830,191	318,427
Professional fees	-	9,891	824
Contract service payments	-	62,509	7,311
Contract labor	-	104,183	-
Office supplies and expense	6,694	50,270	10,037
Medical supplies and other costs	-	1,874	3,286
Food supplies	-	-	16,895
Telephone	1,071	32,986	3,881
Postage and shipping	87	-	5,100
Rent	1,680	25,200	4,200
Building and grounds	-	348	7,589
Utilities	485	6,783	969
Property and liability insurance	-	31,348	-
Mileage	15,601	4,162	13,686
Staff development, training and recruitment	1,838	28,770	10
Meetings and conferences	-	528	-
Subscriptions and publications	-	50	-
Membership dues	-	441	18
Equipment rent	-	10,066	629
Interest expense	-	-	-
Public relations	-	11,314	626
Bank fees	-	-	-
Penalties	-	982	-
Miscellaneous	<u>52</u>	<u>600</u>	<u>871</u>
Total expenses before depreciation	317,161	1,212,496	394,359
Depreciation	<u>2,030</u>	<u>7,963</u>	<u>2,498</u>
TOTAL EXPENSES	\$ <u>319,191</u>	\$ <u>1,220,459</u>	\$ <u>396,857</u>

See Accompanying Notes to Financial Statements

<u>Club House Services</u>		<u>Total</u>	<u>Supporting Services Management and General</u>	<u>2015 Total</u>	<u>2014 Total</u>
\$ 90,256	\$ 1,294,571	\$ 283,890	\$ 1,578,461	\$ 1,236,598	
7,441	106,723	23,404	130,127	102,334	
10,093	144,767	31,746	176,513	173,750	
<u>107,790</u>	<u>1,546,061</u>	<u>339,040</u>	<u>1,885,101</u>	<u>1,512,682</u>	
-	10,715	5,770	16,485	26,072	
-	69,820	3,293	73,113	61,920	
-	104,183	-	104,183	138,444	
-	67,001	5,869	72,870	47,171	
-	5,160	-	5,160	3,686	
-	16,895	-	16,895	13,107	
776	38,714	1,164	39,878	18,261	
-	5,187	40	5,227	4,542	
1,680	32,760	5,040	37,800	37,800	
-	7,937	13,342	21,279	20,058	
485	8,722	969	9,691	15,828	
-	31,348	4,013	35,361	20,691	
-	33,449	117	33,566	20,257	
-	30,618	2,238	32,856	32,413	
-	528	-	528	370	
-	50	174	224	204	
-	459	475	934	1,254	
-	10,695	1,887	12,582	13,575	
-	-	8,083	8,083	30,020	
-	11,940	626	12,566	17,418	
-	-	310	310	637	
-	982	-	982	11,041	
-	1,523	7,883	9,406	4,056	
<u>110,731</u>	<u>2,034,747</u>	<u>400,333</u>	<u>2,435,080</u>	<u>2,051,507</u>	
<u>625</u>	<u>13,116</u>	<u>2,498</u>	<u>15,614</u>	<u>3,940</u>	
\$ <u>111,356</u>	\$ <u>2,047,863</u>	\$ <u>402,831</u>	\$ <u>2,450,694</u>	\$ <u>2,055,447</u>	

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from Counties	\$ 506,052	\$ 931,725
Cash received from public support	-	66,163
Cash received from patient services and Title XIX	2,077,053	1,160,558
Cash received from (used in) other operations	(3,421)	5,004
Cash paid to employees and suppliers	<u>(2,453,778)</u>	<u>(2,108,032)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>125,906</u>	<u>55,418</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from long-term debt	-	107,631
Principal payments on long-term debt	(31,193)	(86,441)
Principal payments on line of credit	<u>-</u>	<u>(30,000)</u>
	<u>(31,193)</u>	<u>(8,810)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of fixed assets	<u>(83,060)</u>	<u>(29,766)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,653	16,842
 <u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	 <u>39,977</u>	 <u>23,135</u>
 <u>CASH AND CASH EQUIVALENTS - End of year</u>	 \$ <u>51,630</u>	 \$ <u>39,977</u>

RECONCILIATION OF CHANGES IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED

BY OPERATING ACTIVITIES:

Changes in net assets from operations	\$ (72,990)	\$ 67,304
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,614	3,940
Provision for doubtful accounts	41,124	16,574
Decrease (increase) in accounts receivable	168,689	23,352
Decrease (increase) in due from related party	(7,833)	773
Decrease in accounts payable	(23,328)	(4,905)
Decrease in due to related party	(3,811)	(53,200)
Increase (decrease) in other liabilities	1,241	(611)
Increase in accrued liabilities	<u>7,200</u>	<u>2,191</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>125,906</u>	\$ <u>55,418</u>

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Organization is a nonprofit corporation established to provide services to educate, evaluate, and treat persons who are in need of mental health care or substance abuse treatment and provide services to promote the prevention of mental illness and substance abuse. Services are provided to individuals residing in Newton, Iowa and the surrounding areas.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Under FASB, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2015, the Organization had only unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Equipment and Vehicles

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Organization follows the policy of expensing any items purchased that cost under \$500. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Equipment	3-10
Vehicles	5

Depreciation expense for the year ended June 30, 2015 was \$15,614.

Accounts Receivable

The Organization's receivables are trade receivables due primarily from individuals, government agencies and Medicaid payers. Accounts receivable are considered past due after 30 days and are charged off when management determines the account is uncollectible. The risk of loss on the accounts receivable is the balance owed at the time of default. Bad debts are charged to operations in the year in which the account is determined uncollectible.

Allocated Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Contributions

Capstone Behavioral Healthcare, Inc. accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board. In accordance with FASB, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long the long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2: LONG-TERM DEBT

Long-term debt at June 30, 2015 consisted of the following:

First Newton National Bank

Dated August 22, 2013, due August 22, 2017, fixed interest rate 5.5% payable in monthly installments of \$3,026 including interest.	\$ 74,041
Dated September 15, 2014, due July 12, 2015, fixed interest rate 3.18%. Interest is payable monthly. This loan has a balloon payment (including principal) due at maturity.	<u>100,000</u>
Total	174,041
Less current maturities	<u>133,068</u>
Total long term debt	\$ <u>40,973</u>

The notes are secured by CD's and real estate of the Capstone Community Foundation, and have also been guaranteed by the Foundation.

Long-term debt is expected to mature as follows:

Year Ending	
<u>June 30,</u>	
2016	\$ 133,068
2017	34,934
2018	<u>6,039</u>
Total	\$ <u>174,041</u>

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3: LEASE AGREEMENTS

The Organization leases property from Capstone Community Foundation for use in its operations. The lease is classified as an operating lease and has a one-year term. The annual lease rate is \$2,800 per month and expires June 30, 2015. Subsequent to year end a new lease was signed for a term of three years.

The Organization also leases an apartment from Beacon Housing Corporation (a related party) for \$350 per month for use as an office; the lease is renewed annually. The Organization also has a lease which is properly classified as an operating lease for copiers with an unrelated third party for \$1,030 per month. This lease expires September 1, 2015.

Future minimum lease payments are as follows:

2016	\$	<u>3,090</u>
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Lease expense totaled to \$50,382 for the year ended June 30, 2015, which is included in the statement of functional expenses as rent and equipment rent.

NOTE 4: RELATED PARTIES

Capstone Community Foundation is a separate non-profit corporation. It leases property and contributes funding at times to the Organization. Following, is a summary of transactions as of and for the year ended June 30, 2015:

Rents paid to Capstone Community Foundation	\$ 33,600
Due to Capstone Community Foundation	\$ 104,550

Beacon Housing Corporation, a separate non-profit corporation, was incorporated November 12, 1991. It provides residential housing for individuals with disabilities through a HUD program. The two corporations are related by common officers and trustees and operate toward a common cause. The following is a summary of transactions as of and for the year ended June 30, 2015:

Due from Beacon Housing Corporation	\$ 19,972
Management fee revenue from Beacon Housing Corporation	\$ 4,251
Rents paid to Beacon Housing Corporation	\$ 4,200

Management fee income is included in miscellaneous revenue on the Statement of Activities.

NOTE 5: PENSION PLAN

The Organization has established a 401(k) Plan for all full-time employees. The Organization's Plan allows for the Organization to make voluntary contributions. The Organization did not contribute to the Plan during the year ended June 30, 2015.

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6: RESTATEMENTS

During the year ended June 30, 2015 it was determined that accounts receivable and fees revenue had not been properly recorded at June 30, 2014. As a result, the following changes were made to net assets:

Net assets June 30, 2014, as previously reported	\$	30,458
Adjustment to accounts receivable and fees revenue		<u>51,393</u>
Net assets June 30, 2014, as restated	\$	<u>81,851</u>

NOTE 7: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2014 have been reclassified to conform with the June 30, 2015 presentation.

NOTE 8: EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 3, 2015, the date which the financial statements were available to be issued.



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Capstone Behavioral Healthcare, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Capstone Behavioral Healthcare, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capstone Behavioral Healthcare, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Capstone Behavioral Healthcare, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Capstone Behavioral Healthcare, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item (A) to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as item (B) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capstone Behavioral Healthcare, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Capstone Behavioral Healthcare, Inc.'s Responses to Findings

Capstone Behavioral Healthcare, Inc.'s response to findings identified in our audit are described in the accompanying schedule of findings. Capstone Behavioral Healthcare, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ANDERSON, LARKIN & CO. P.C.



Ottumwa, Iowa
December 3, 2015

CAPSTONE BEHAVIORAL HEALTHCARE, INC.

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – Due to the small size of your organization, one employee performs many bookkeeping duties which are incompatible. This is a lack of segregation of duties, a problem commonly associated with small businesses and organizations.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Center should be aware of the lack of segregation of duties and periodically review its internal policies.

Response – The Center has hired and is training additional staff.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the Center's financial statements. Adjustments were subsequently made by the Center to properly include these amounts in the financial statements.

Recommendation – The Center should implement procedures to ensure all receivables are identified and included in the Center's financial statements.

Response – We will double check these in the future to avoid missing any receivables.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

No matters were noted.